

EXOGENOUS COST CHANGE CALCULATION
RESERVE DEFICIENCY AMORTIZATION DATA WORKPAPER

COMPANY: AMERITECH
STUDY AREA: MICHIGAN

The following contains the calculations or sources for the RDA row entries on the Price Cap TRP form EXG-1.

Depreciation Expense:

This line item is the difference between the 1992/1993 RDA expense and the RDA expense that will be booked in the 1993/1994 test period.

Expense less Depreciation:

There is no impact due to RDA for this row.

Taxes less FIT:

$((\text{NET RETURN} + \text{FIT}) * (\text{SIT RATE} / 1 - \text{SIT RATE})) +$
 $((\text{EXPENSES} + \text{NET RETURN} + \text{FIT} + \text{SIT}) * (\text{GRT RATE} / 1 - \text{GRT RATE}))$

Net Return:

$(\text{NET RATE BASE} * .1125)$

FIT:

$(\text{NET RETURN} * (\text{FIT RATE} / 1 - \text{FIT RATE}))$

Uncollectible Revenue and Other Adjustments:

There is no impact due to RDA for this row.

Revenue Effect:

$\text{EXPENSE} + \text{TAXES} + \text{RETURN} + \text{UNCOLL REV \& OTH ADJ}$

Total Plant in Service:

There is no impact due to RDA for this row.

Other Rate Base Items:

There is no impact due to RDA for this row.

Depreciation Reserve:

The change in the reserve reflects the completion of RDA.

Accumulated Deferred Income Tax:

$\text{RDA Depreciation Reserve Change times } 34\%$

Net Rate Base:

$\text{Total Plant in Service} + \text{Other Rate Base Items less}$
 $\text{Depreciation Reserve less Accumulated Deferred Income Tax}$

EXOGENOUS COST CHANGE CALCULATION
INSIDE WIRE AMORTIZATION WORKPAPER

COMPANY: AMERITECH
STUDY AREA: MICHIGAN

	7-1-92 T 6-30-93 EXPENSE (A)	7-1-93 T 6-30-94 EXPENSE (B)	DELTA (C)=B-A	ALLOCATION FACTOR (D)	ALLOCATED AMOUNT (E)
100 Total Company	994,050	0	(994,050)	NA	NA
110 Interstate	NA	NA	NA	0.229293	(227,928)
120 Common Line	NA	NA	NA	0.999661	(227,851)
130 Switched T.S.	NA	NA	NA	0.000000	0
140 Special Access	NA	NA	NA	0.000339	(77)
150 Interexchange	NA	NA	NA	0.000000	0

Describe below the source or the development of the factors on rows 110 through 150 for column D.

The interstate and basket allocation factors were based on Michigan Bell's IOT investment distribution as reported in its ARMIS 43-01 submission (Row 1670).

EXOGENOUS COST CHANGE CALCULATION
INSIDE WIRE (IW) AMORTIZATION WORKPAPER

COMPANY: AMERITECH
STUDY AREA: MICHIGAN

The following contains the calculations or sources for the
Inside Wire row entries on the Price Cap TRP EXG-1 form.

Depreciation Expense:

This line represents the difference between the inside wire depreciation
expense included in the 1992/93 test period and the zero depreciation
expense to be booked in 1993/94.

Expense less Depreciation:

There is no impact due to Inside Wire for this row.

Taxes less FIT:

$((\text{NET RETURN} + \text{FIT}) * (\text{SIT RATE}/1 - \text{SIT RATE})) +$
 $((\text{EXPENSES} + \text{NET RETURN} + \text{FIT} + \text{SIT}) * (\text{GRT RATE}/1 - \text{GRT RATE}))$

NET RETURN:

$(\text{NET RATE BASE} * .1125)$

FIT:

$((\text{NET RETURN} * (\text{FIT RATE}/1 - \text{FIT RATE}))$

Uncollectible Revenue and Other Adjustments:

There is no impact due to Inside Wire for this row.

Revenue Effect:

$\text{EXPENSES} + \text{TAXES} + \text{RETURN} + \text{UNCOLL REV \& OTH ADJ}$

Total Plant in Service:

There is no impact due to Inside Wire for this row.

Other Rate Base Items:

There is no impact due to Inside Wire for this row.

Depreciation Reserve:

This line represents the difference between the Inside Wire Depreciation
Reserve included in the 1992/93 test period and the average
Depreciation Reserve for the 1993/94 test period.

Accumulated Deferred Income tax:

Inside Wire reserve change times 34%

Net Rate Base:

Total Plant In Service + Other Rate Base Items less
Depreciation Reserve less Accumulated Deferred Income Tax

Ameritech
Development of Incremental Retiree TBO Expenses

	<u>1993 Amount (\$000)</u>
1. Total Company Retiree Portion of SFAS 106 TBO Amortization Expense	83,139
2. Total Company Interest Expense on Retiree TBO	129,706
3. Total Company Retiree TBO Expense (Ln 1 + Ln 2)	212,845
4. Total Company Retiree Pay-As-You-Go Expense	184,521
5. Total Company Incremental Retiree TBO Expenses (Ln 3 - Ln 4)	28,324
6. Subject to Separations Incremental Retiree TBO Expenses (Ln 5 * ARMIS 43-01 Regulated Ratios for Rows 1190-1180)	27,091
7. Interstate Incremental Retiree TBO Expenses (Ln 6 * ARMIS 43-01 Interstate Ratios for Rows 1190-1180)	5,606

Ameritech
1993 Revenue Requirement Development For Incremental Retiree TBO Expenses (\$000)

		<u>Interstate</u> (A)	<u>Common</u> <u>Line</u> (B)	<u>Traffic</u> <u>Sensitive</u> (C)	<u>Special</u> <u>Access</u> (D)	<u>IX</u> (E)	<u>Total</u> <u>Price Cap</u> <u>Interstate</u> (F) = B + C + D + E
1. Interstate Incremental Retiree TBO Expenses (Interstate From Exhibit 2, Page 7, Ln 7, Price Cap Baskets based on ARMIS 43-01 ratios for rows 1190-1180)	(1)	5,606	2,241	2,184	743	75	5,243
2. State Deferred Tax Reserve -1 * Ln 1 * State Tax Rate	(1)	(231)	(92)	(90)	(31)	(3)	(216)
3. Federal Deferred Tax Reserve -1 * (Ln 1 + Ln 2) * .34	(1)	(1,828)	(731)	(712)	(242)	(24)	(1,709)
4. Average Deferred Tax Reserve (Ln 2 + Ln 3) / 2	(1)	(1,029)	(411)	(401)	(137)	(14)	(963)
5. Average Unfunded Liability (Ln 1/2)	(1)	2,803	1,121	1,092	372	38	2,622
6. Average Net Rate Base (-Ln 4 - Ln 5)	(1)	(1,774)	(709)	(691)	(235)	(24)	(1,659)
7. Net Return (Ln 6 * .1125)	(1)	(200)	(80)	(78)	(26)	(3)	(187)
8. Federal Income Taxes (Ln 7 * (.34/(1-.34)))	(1)	(103)	(41)	(40)	(14)	(1)	(96)
9. State Income Taxes (Ln 7 + Ln 8) * (SIT Rate/(1-SIT Rate))	(1)	(13)	(5)	(5)	(2)	0	(12)
10. Gross Receipt Taxes (Ln 1 + Ln 7 + Ln 8 + Ln 9) * (GRT Rate/(1-GRT Rate))	(1)	83	34	33	11	1	79
11. Incremental Retiree TBO Revenue Requirement (Ln 1 + Ln 7 + Ln 8 + Ln 9 + Ln 10)	(1)	5,374	2,149	2,094	712	72	5,027
12. Adjusted Revenue Requirement (Ln 11 Less .7% of the Total Incremental SFAS 106 REVREQ (2) of \$19,597)	(1)	5,237	2,094	2,040	696	69	4,899

Notes:

- (1) The sum of the price cap baskets will not equal the interstate amount (A) due to an amount allocated to billing and collection on Ln 1.
- (2) The total incremental SFAS 106 Revenue Requirement that was used as the basis for the adjustment includes SFAS 106 costs less pay-as-you-go and VEBA costs for both active and retired employees.

Exhibit 3

FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

See reverse side for information
regarding public burden estimate.

Approved by OMB
3080-0355
Expires 04/30/95

1. Name and Address of Reporting Company

Ameritech Operating Companies
Ameritech Services
2000 West Ameritech Center Drive 4F08
Hoffman Estates, IL 60196

2. Reporting Calendar Year

(A) From: 01/01/91 To: 12/31/91

(B) First Report Filed: March 31, 1992

(C) Final Report Filed: March 31, 1993

FCC 492A

PRICE CAP REGULATION
RATE OF RETURN MONITORING REPORT
(Read Instructions on the Reverse Before Completing)

Dollar Amounts Shown in Thousands

3. Items	Total Interstate Services Subject to Price Cap Regulation		
	First Report Col A	Final Report Col B	Difference Col C = (B - A)
1 Total Revenues	2,049,150	2,041,409	(7,741)
2 Total Expenses and Taxes	1,665,771	1,659,985	(5,786)
3 Operating Income(Net Return)(Ln1-Ln2)	383,379	381,424	(1,955)
4 Rate Base (Avg Net Invest)	2,961,652	2,934,595	(27,057)
5 Rate of Return (Ln3/Ln4)	12.94%	13.00%	0.06%
6 Sharing/Low End Adjustment Amount	N/A	N/A	N/A
7 FCC Ordered Refund - Amortized for Current Period	N/A	N/A	N/A

REMARKS

Revenues in the amount of \$18.6 million associated with excluded services under Price Cap incentive regulation are excluded from the data reported. Earnings associated with these services were removed based on the assumption that these excluded services earned the same rate of return as total interstate services.

4. CERTIFICATION: I certify that I am the chief financial officer or the duly assigned accounting officer; that I have examined the foregoing report; that to the best of my knowledge and belief, all statements of fact contained in this report are true and this report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the specified period.

Date
3/30/93

Typed Name of Person Signing
John C. Litchfield

Title of Person Signing
Assistant Vice President

Signature

PERSONS MAKING WILLFUL FALSE STATEMENTS IN THIS REPORT FORM CAN BE PUNISHED BY FINE
OR IMPRISONMENT UNDER THE PROVISIONS OF THE U.S. CODE, TITLE 18, SECTION 1001.

FCC 492A

Exhibit 4

FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

See reverse side for information
regarding public burden estimate.

Approved by OMB
3060-0355
Expires 04/30/95

1. Name and Address of Reporting Company

Ameritech Operating Companies
Ameritech Services
2000 West Ameritech Center Drive 4F08
Hoffman Estates, IL 60196

2. Reporting Calendar Year

(A) From: 01/01/92 To: 12/31/92

(B) First Report Filed: March 31, 1993

(C) Final Report Filed:

FCC 492A

**PRICE CAP REGULATION
RATE OF RETURN MONITORING REPORT**
(Read Instructions on the Reverse Before Completing)

Dollar Amounts Shown in Thousands

3. Items	Total Interstate Services Subject to Price Cap Regulation		
	First Report Col A	Final Report Col B	Difference Col C = (B - A)
1 Total Revenues	2,096,755		
2 Total Expenses and Taxes	1,712,362		
3 Operating Income(Net Return)(Ln1-Ln2)	384,393		
4 Rate Base (Avg Net Invest)	3,005,755		
5 Rate of Return (Ln3/Ln4)	12.79%		
6 Sharing/Low End Adjustment Amount	(9,095)		
7 FCC Ordered Refund - Amortized for Current Period	N/A		

REMARKS

The Sharing/Low End Adjustment Amount displayed on Line 6 equals one-half of the sharing exogenous change for the 1992/1993 tariff year. The amount displayed on Line 6 does not equal the actual rate reductions that occurred due to sharing because the API was below the PCI in some of the Price Cap baskets.

Revenues in the amount of \$19.4 million associated with excluded services under Price Cap incentive regulation are excluded from the data reported. Earnings associated with these services were removed based on the assumption that these excluded services earned the same rate of return as total interstate services.

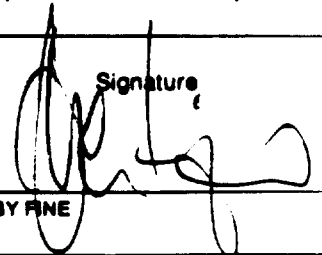
4. CERTIFICATION: I certify that I am the chief financial officer or the duly assigned accounting officer; that I have examined the foregoing report; that to the best of my knowledge and belief, all statements of fact contained in this report are true and this report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the specified period.

Date
3/30/93

Typed Name of Person Signing
John C. Litchfield

Title of Person Signing
Assistant Vice President

Signature



PERSONS MAKING WILLFUL FALSE STATEMENTS IN THIS REPORT FORM CAN BE PUNISHED BY FINE
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FCC 492A

Exhibit 5

**CALCULATION OF REVISION TO TOTAL SHARING AMOUNT
FOR 1991 EARNINGS
(000's of \$'S)**

	<u>FIRST REPORT</u>	<u>FINAL REPORT</u>	<u>DIFFERENCE</u>
<u>DATA FROM FORM 492</u>			
NET RETURN \$ (LINE 3)	383,379	381,424	(1,955)
AVERAGE NET INVESTMENT \$ (LINE 4)	2,961,652	2,934,595	(27,057)
RATE OF RETURN % (LINE 5)	12.94	13.00	0.06
<u>SHARING CALCULATION</u>			
A. NET RETURN SUBJECT TO SHARING (RETURN - .1225 x INVESTMENT)	20,577	21,936	1,359
B. 50% SHARED EARNINGS (LINE A x .50)	10,288	10,968	680
C. TAX GROSS-UP	6,062	6,462	400
D. INTEREST	1,839	2,083 (1)	244
E. SHARING AMOUNT	18,189	19,513	1,324

NOTE: (1) INCLUDES 2 YEARS OF INTEREST FOR INCREMENTAL SHARING AMOUNT.

Exhibit 6

**CALCULATION OF TOTAL SHARING AMOUNT
FOR 1992 EARNINGS
(000's of \$'S)**

DATA FROM FORM 492

NET RETURN \$ (LINE 3)	384,393
AVERAGE NET INVESTMENT \$ (LINE 4)	3,005,755
RATE OF RETURN % (LINE 5)	12.79

SHARING CALCULATION

A. NET RETURN SUBJECT TO SHARING (RETURN - .1225 x INVESTMENT)	16,188
B. 50% SHARED EARNINGS (LINE A x .50)	8,094
C. TAX GROSS-UP	4,772
D. INTEREST	1,447
E. SHARING AMOUNT	14,313

Exhibit 7

**ALLOCATION OF REVISION TO SHARING AMOUNT
FOR 1991 EARNINGS AMONG BASKETS**

	<u>1991 REVENUE (\$000s)</u>	<u>PERCENT OF TOTAL</u>	<u>REVISION TO SHARING AMOUNT (\$)</u>
COMMON LINE	808,681	39.26	519,802
TRAFFIC SENSITIVE	866,071	42.04	556,610
SPECIAL ACCESS	329,651	16.00	211,840
INTEREXCHANGE (LESS IMPUTED ACCESS)	55,689	2.70	35,748
TOTAL INTERSTATE	<u>2,060,092</u>	<u>100.00</u>	<u>1,324,000</u>

NOTE:

1. THE TOTAL REVENUES OF 2,041,409,000 REPORTED ON THE 1991 FORM 492 REPORT EQUALS THE TOTAL OF 2,060,092,000 LESS REVENUE FROM SERVICES EXCLUDED FROM PRICE CAPS.

Exhibit 8

**ALLOCATION OF SHARING AMOUNT
FOR 1992 EARNINGS AMONG BASKETS**

	<u>1992 REVENUE (\$000s)</u>	<u>PERCENT OF TOTAL</u>	<u>SHARING AMOUNT (\$)</u>
COMMON LINE	845,203	39.94	5,716,612
TRAFFIC SENSITIVE	889,945	42.06	6,020,048
SPECIAL ACCESS	331,209	15.65	2,239,985
INTEREXCHANGE (LESS IMPUTED ACCESS)	49,813	2.35	336,355
TOTAL INTERSTATE	<u>2,116,170</u>	<u>100.00</u>	<u>14,313,000</u>

NOTE:

1. REVENUE FOR EACH BASKET REPRESENTS THE SUM OF THE NET REVENUE FOR EACH AMERITECH OPERATING COMPANY AS REPORTED ON LINE 1090 OF THE 1992, FOURTH QUARTER ARMIS 43-01 REPORT.
2. THE TOTAL REVENUES OF 2,096,755,000 REPORTED ON THE 1992 FORM 492 REPORT EQUALS THE ARMIS TOTAL OF 2,116,170,000 LESS REVENUE FROM SERVICES EXCLUDED FROM PRICE CAPS.

Exhibit 9

INTEREXCHANGE BASKET

EXOGENOUS CHANGES DUE TO FLOW-THROUGH OF INTERSTATE ACCESS RATE CHANGES
Actual 5/1/93 Rates versus Proposed 7/1/93 Rates

<u>LINE</u>	<u>5/1/93 RATES</u>	<u>7/1/93 RATES</u>	<u>RATE CHANGE</u>	<u>DEMAND</u>	<u>REVENUE EFFECT</u>
1 CARRIER COMMON LINE ORIGINATING	\$0.008248	\$0.005974	(\$0.002274)	433,752,717	(\$986,354)
2 CARRIER COMMON LINE TERMINATING	\$0.008248	\$0.005974	(\$0.002274)	349,161,688	(\$793,994)
3 CARRIER COMMON LINE TOTAL	{ L1+L2 }			782,914,405	(\$1,780,348)
4 LOCAL SWITCHING LS2	\$0.008521	\$0.008521	\$0.000000	782,914,405	\$0
5 LOCAL TRANSPORT TERMINATION	\$0.009735	\$0.009735	\$0.000000	782,914,405	\$0
6 LOCAL TRANSPORT FACILITY	\$0.000160	\$0.000160	\$0.000000	10,992,118,246	\$0
7 INFORMATION SURCHARGE	\$0.000425	\$0.000425	\$0.000000	782,914,405	\$0
8 D. A. INFORMATION	\$0.249000	\$0.249000	\$0.000000	657,621	\$0
9 D. A. TRANSPORT TERMINATION	\$0.005878	\$0.005878	\$0.000000	657,621	\$0
10 D. A. TRANSPORT FACILITY	\$0.000096	\$0.000096	\$0.000000	9,232,999	\$0
GRAND TOTAL REVENUE EFFECT FOR INTEREXCHANGE BASKET [L3+L4+L5+L6+L7+L8+L9+L10]					(\$1,780,348)

Exhibit 10

RATES & DEMAND BY RATE ELEMENT

BASKET: COMMON LINE
COSA: ILLINOIS

<u>RATE ELEMENT DESCRIPTION</u>	<u>BASE PERIOD DEMAND</u>	<u>CURRENT RATES</u>	<u>PROPOSED RATES</u>
CCL - PREMIUM, TERMINATING	7,341,092,205	0.008248	0.005974
CCL - PREMIUM, ORIGINATING	6,105,562,036	0.008248	0.005974
CCL - TRANSITIONAL, TERMINATING	4,493,124	0.003712	0.002688
CCL - TRANSITIONAL, ORIGINATING	1,337,835	0.003712	0.002688
EUCL - RESIDENCE	41,620,511	3.31	3.47
EUCL - BUSINESS - SINGLE LINE	2,161,397	3.31	3.47
EUCL - MULTILINE BUS & CENTREX	19,280,510	3.31	3.47
EUCL - CENTREX PRIOR TO JULY 1983	0	3.31	3.47
SURCHARGEABLE CHANNELS	21,029	25.00	25.00

RATES & DEMAND BY RATE ELEMENT

BASKET: COMMON LINE
COSA: INDIANA

<u>RATE ELEMENT DESCRIPTION</u>	<u>BASE PERIOD DEMAND</u>	<u>CURRENT RATES</u>	<u>PROPOSED RATES</u>
CCL - PREMIUM, TERMINATING	2,608,119,651	0.008248	0.005974
CCL - PREMIUM, ORIGINATING	1,617,961,963	0.008248	0.005974
CCL - TRANSITIONAL, TERMINATING	2,723,980	0.003712	0.002688
CCL - TRANSITIONAL, ORIGINATING	5,397,235	0.003712	0.002688
EUCL - RESIDENCE	14,303,739	3.50	3.50
EUCL - BUSINESS - SINGLE LINE	498,433	3.50	3.50
EUCL - MULTILINE BUS & CENTREX	5,142,747	4.78	4.64
EUCL - CENTREX PRIOR TO JULY 1983	82,916	4.78	4.64
SURCHARGEABLE CHANNELS	5,002	25.00	25.00

RATES & DEMAND BY RATE ELEMENT

BASKET: COMMON LINE
COSA: MICHIGAN

<u>RATE ELEMENT DESCRIPTION</u>	<u>BASE PERIOD DEMAND</u>	<u>CURRENT RATES</u>	<u>PROPOSED RATES</u>
CCL - PREMIUM, TERMINATING	4,821,725,549	0.008248	0.005974
CCL - PREMIUM, ORIGINATING	3,448,979,779	0.008248	0.005974
CCL - TRANSITIONAL, TERMINATING	18,754,010	0.003712	0.002688
CCL - TRANSITIONAL, ORIGINATING	4,846,017	0.003712	0.002688
EUCL - RESIDENCE	35,626,462	3.50	3.50
EUCL - BUSINESS - SINGLE LINE	2,536,146	3.50	3.50
EUCL - MULTILINE BUS & CENTREX	12,577,959	3.92	4.63
EUCL - CENTREX PRIOR TO JULY 1983	0	3.92	4.63
SURCHARGEABLE CHANNELS	4,179	25.00	25.00

RATES & DEMAND BY RATE ELEMENT

BASKET: COMMON LINE
COSA: OHIO

<u>RATE ELEMENT DESCRIPTION</u>	<u>BASE PERIOD DEMAND</u>	<u>CURRENT RATES</u>	<u>PROPOSED RATES</u>
CCL - PREMIUM, TERMINATING	4,265,119,463	0.006248	0.005974
CCL - PREMIUM, ORIGINATING	3,020,094,362	0.006248	0.005974
CCL - TRANSITIONAL, TERMINATING	2,559,521	0.003712	0.002688
CCL - TRANSITIONAL, ORIGINATING	3,109,688	0.003712	0.002688
EUCL - RESIDENCE	28,392,200	3.50	3.50
EUCL - BUSINESS - SINGLE LINE	1,959,395	3.50	3.50
EUCL - MULTILINE BUS & CENTREX	8,532,895	4.18	4.35
EUCL - CENTREX PRIOR TO JULY 1983	0	4.18	4.35
SURCHARGEABLE CHANNELS	8,278	25.00	25.00

RATES & DEMAND BY RATE ELEMENT

BASKET: COMMON LINE
COSA: WISCONSIN

<u>RATE ELEMENT DESCRIPTION</u>	<u>BASE PERIOD DEMAND</u>	<u>CURRENT RATES</u>	<u>PROPOSED RATES</u>
CCL - PREMIUM, TERMINATING	2,505,028,414	0.008248	0.005974
CCL - PREMIUM, ORIGINATING	1,437,392,848	0.008248	0.005974
CCL - TRANSITIONAL, TERMINATING	6,124,831	0.003712	0.002688
CCL - TRANSITIONAL, ORIGINATING	908,206	0.003712	0.002688
EUCL - RESIDENCE	14,950,299	3.50	3.50
EUCL - BUSINESS - SINGLE LINE	540,553	3.50	3.50
EUCL - MULTILINE BUS & CENTREX	5,370,134	4.05	4.31
EUCL - CENTREX PRIOR TO JULY 1983	62,436	4.05	4.31
SURCHARGEABLE CHANNELS	2,672	25.00	25.00